PCA

Statement of the Portland Cement Association
Before the House Transportation and Infrastructure Committee
Delivered by Ed Sullivan, PCA Chief Economist
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Thank you Mr. Chairman for providing PCA the opportunity to share the cement industry's perspectives on the need for infrastructure investment. PCA is pleased to share the industry's views on its capability of meeting these U.S. infrastructure needs.

Portland cement is the binding agent that gives concrete its strength. Concrete is a requirement in virtually every type of construction. Roughly half of all cement consumed in the United States is used by the public sector for the construction of roads and highways, schools, sewer and water treatment projects.

The Portland Cement Association (PCA) represents 97% of domestic cement manufacturers. There are 45 companies operating 106 plants in 35 states and operates distribution centers in all states, virtually one in each Congressional district.

Key Assessments

The United States cement industry has more than enough supply potential to feed even the most optimistic infrastructure spending program. This assessment primarily reflects weak prevailing demand conditions resulting in the ability to tap idle capacity as well as the most aggressive capacity expansion effort in the industry's history. Combining domestic and foreign sources of potential supply, the United States is capable of supplying nearly 130 million metric tons of cement in 2009 and more than 150 million metric tons by 2012. Use of blended cements could increase this potential by an additional 25 million metric tons in both years. This supply potential is compared to 95 million metric tons consumed in 2008 and an estimate of 81 million metric tons for 2009.

Cement Supply

The portland cement industry in the U.S. has an estimated domestic cement capacity of 102 million metric tons. In addition, the industry is currently engaged in aggressive capacity expansion. By 2013, this investment will increase capacity nearly 25% over 2007 levels.

Aside from domestic supply, the industry operates roughly 125 import terminals with an import capacity of 45 million metric tons. With the onset of weak global economic conditions, freight rates have declined significantly and ship availability has improved since mid-2008 – making imported cement more economically viable than in more than six years.

Finally, economic distress has generated roughly 3 million metric tons of excess inventory in temporary storage, which could be drawn down quickly in support of improved demand conditions.

Cement Demand

The U.S. economy faces severe near term challenges. Left unchecked, existing cyclical and structural conditions could result in a long and deep economic contraction. Lacking fiscal intervention PCA estimates the economy would decline 2.7% during 2009, followed by a more modest decline during 2010. Under a "no stimulus" scenario, cement consumption declines 15% during 2009 followed by an 8% decline in 2010. Subdued growth materializes thereafter.

A stimulus plan with emphasis on infrastructure would brighten demand conditions facing the United States cement industry. According to PCA's assessment, a stimulus plan could increase cement consumption 6 million metric tons in 2009, 17 million metric tons in 2010 and 18 million metric tons in 2011.

PCA Cement Projections: Stimulus Impacts				
	2008	**2009**	**2010**	**2011**
No Stimulus	95.6 MMT	81.1 MMT	74.7 MMT	79.4 MMT
- Percent Change	-13.2%	-15.1%	-8.0%	+6.3%
With Stimulus	95.6 MMT	87.4 MMT	92.1MMT	97.4 MMT
- Percent Change	-13.2%	-8.6%	+5.3%	+5.8
Stimulus Impact	0.0	+6.3 MMT	+17.4 MMT	+18.0 MMT
- Percent Increase	----	+8.4%	+23.3%	+22.6%
Source: PCA				

Market Imbalances

Potential market imbalances are generated by either changes in consumption, capacity or both. The current combination of declining cement consumption and increases in capacity will create potential market imbalances that could constitute the largest and longest lasting in history. Based on PCA's estimate of cement consumption and announced capacity expansions, market imbalances could reach in excess of 23 million metric tons in 2009. Lacking a stimulus, future imbalances could be larger.

Imbalances that are expected to characterize the market during the next two years may result in elevated inventories, import reductions, prolonged maintenance downtimes, lower utilization rates, plant shut-downs, and potentially the delay of new plants coming on-line.

Thank you Mr. Chairman, that concludes my remarks. I would be happy to address any questions.
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